

KUNGSLEDEN

facilitating opportunities



Interim Report January – March 2010

Facilitating opportunities

Kungsleden is its people. Not the concrete, bricks or glass... Obviously, our fixed assets have value, but it's our people that manage, enhance and regenerate that value. And everything is based on a close collaboration with our customers, who ultimately, are the people that evaluate what we do and how well we deliver on our promises.

So what do we mean by Kungsleden—facilitating opportunities? For us, it means the way we stand out in the property sector. What our customers emphasise is our entrepreneurship. That we're there, innovative, focused on solutions and easy to deal with.

Our business concept lets us see value in a property regardless of its location and type. With properties in 130 Swedish municipalities and our offices nationwide, we're there geographically and in our actions. This means that we're also alert to local needs. Being driven by a strong entrepreneurial spirit, with decisions being taken at the edges of our organisation, promotes Kungsleden's innovation and drive.

Lokalamojligheter.se, or 'property opportunities', is an example of how we open new channels for dialogue with our customers. Simply put, as the property company that facilitates opportunities, we see possibilities in properties, premises and places that others don't.



CHIEF EXECUTIVE'S STATEMENT

Our profits for the first quarter were consistent with our expectations and our estimate of profit for calculating dividends. The year-on-year profit change is mainly due to the Hemsö transaction with the Swedish Third Pension Insurance Fund (AP3), and increased costs, mainly for heating and property care, of approximately SEK 25 m, due to the severe winter.

Trading net for the quarter was SEK 3 m, after actions including the completion of our transaction with Corem Property Group. We also had a positive tax effect of just over SEK 30 m, after divesting properties without deducting for deferred tax. Administration costs continued to reduce in the quarter. The reduced net financial position was mainly a consequence of lower loan volumes after the sale to AP3. The book value of our portfolio was adjusted upwards by SEK 12 m in the quarter.

Vacancies rose slightly early in the year. Kungsleden has a somewhat late-cyclical operation, and in 2010, we do expect some increase in vacancies. Nordic Modular's sales were lower than the previous year, while its gross profit was positive. After the adaptations to production completed in 2008–2009, production costs were down by over 40 per cent. The clear trend improvement

on the transaction market sustained. According to Jones Lang Lasalle, transaction volumes were over SEK 18 bn in the first quarter. Kungsleden divested a total of about 30 properties for just over SEK 600 m. We are now observing that there are opportunities to do good deals once again. Notably, the market for public properties is attracting new players. It has become easier to secure short-term credit, which is contributing to a more upbeat market outlook, while however, long-term funding is still harder to arrange. It is important for Kungsleden to maintain optimal funding as far as possible, for the long and short term.

At the end of the first quarter, the Swedish Tax Agency initiated additional

proceedings regarding property divestments conducted, although no regulatory decision has been reached. Back in 2009, we provisioned SEK 325 m relating to these tax proceedings. Our judgment is that the total liquidity effect of these tax proceedings will not exceed SEK 300 m assuming a potential negative outcome. Our view remains that we have complied with applicable laws and regulations.

Kungsleden was also recognised as one of Sweden's best workplaces in the Great Place to Work survey, involving 80 companies. Kungsleden secured a top four place of the medium-sized companies, and was the best of the property companies. These results are very pleasing, because in recent years, Kungsleden has worked consciously to strengthen its internal corporate culture.

We will continue to work on arranging cost-efficient long-term funding, so we can exploit the attractive deal opportunities that we expect to arise. With stable counterparties, long contracts and continued goal-oriented work addressing our customers, we will be able to deal with expected modest increases in vacancies from low levels.

Thomas Erséus
Chief Executive



1 January – 31 March 2010

- Net sales fell by 26 per cent to SEK 571 (771) m, and gross profit by 29 per cent to SEK 355 (501) m due to the previous year's transaction with AP3 and increased costs relating to the severe winter.
- Profit before tax was SEK 36 (–79) m. Profit after tax was SEK 58 (–67) m, equivalent to SEK 0.40 (–0.50) per share.
- As of 31 March 2010, the property portfolio comprised 556 (585) properties with a book value of SEK 21,239 (21,861) m.
- No properties were acquired. 30 (6) properties were divested for SEK 602 (222) m, generating a profit of SEK 3 (11) m. These divestments affected profit for calculating dividends by SEK 28 (61) m.
- Profit for calculating dividends for the interim period was SEK 126 (223) m, equivalent to SEK 0.90 (1.60) per share.
- The forecast for the full year 2010 profit for calculating dividends remains at SEK 600 m, or SEK 4.40 per share.



1 January – 31 March 2010

THIS IS KUNGSLEDEN

Kungsleden is a property company that is always open to new business opportunities—regardless of the type of property or its location. With properties in some 130 municipalities and offices nationwide, Kungsleden is responsive to its tenants' local needs.

Kungsleden tenants are both small enterprises and large corporations, while school students and pensioners occupy and live in Kungsleden properties. Kungsleden's business model focuses on continually enhancing its property portfolio with the objective of improving portfolio

risk-adjusted returns. Its ambition is that cash flow from operations will always remain high and stable. Thanks to its committed and skilled professionals, Kungsleden enables valuable solutions for customers, which help create high and stable returns for the long term.

KUNGSLEDEN'S STRATEGY

Enhance a skilled and businesslike organization

Pursue customer satisfaction through the active management and improvement of the property portfolio

Assure high long-term returns proceeding from the existing portfolio, and through acquisitions and divestments

KUNGSLEDEN'S RESULTS FOR JANUARY – MARCH

Profit after tax for the period was SEK 58 (–67) m. The higher figure is mainly due to lower negative unrealised value changes on properties and financial instruments. The property yield for the period was 6.5 (6.8) per cent after a severe winter.

Net sales in the period were SEK 571 (771) m, divided between rental revenues of SEK 537 (702) m and sales revenues from modular buildings of SEK 34 (69) m. The background to this reduction is the part sale of Public Properties, which were still wholly owned during the first-quarter 2009, and negative rent indexation in 2010.

Gross profit fell by 29 per cent to SEK 355 (501) m. If we include the public properties part-sold to the AP

Fund in 2009, rental revenues would have been unchanged and operating net would have reduced by 5 per cent year on year. This reduction is fully attributable to higher heating and snow clearance costs and indexation.

Property trading generated a SEK 3 (11) m profit, including realised value changes of SEK 25 (50) m.

Sales and administration costs reduced to SEK 66 (80) m. This reduction is partly a consequence of half of Hemsö's administration costs now being charged to AP3.

The net financial position changed positively by SEK 73 m, and was SEK –176 (–249) m, primarily explained by lower loan volumes in 2010 compared to the corresponding period of 2009.

Value changes on properties and financial instruments in the period

amounted to SEK 12 (–69) m and SEK –92 (–193) m respectively, totalling SEK –80 (–262) m. The positive value change on properties is a net of new value appraisals and investments completed, corresponding to 0.1 per cent of book value. The value change is largely attributable to Public Properties. Valuations of financial instruments were negatively affected as a result of falling long yields.

Tax on net profit was SEK 22 (12) m, of which SEK 34 m is a positive effect of property divestments. The properties divested via companies have a larger reported reserve for deferred tax than the deductions that occurred in the corporate divestments.

Profit for calculating dividends for the interim period was a total of SEK 126 (223) m.

Profit for calculating dividends

SEK m	2010 Jan–Mar	2009 Jan–Mar
Gross profit	355	501
Sales and administration costs	–66	–80
Net financial position	–176	–249
Sub-total	113	172
Realised items		
Trading net on divestment	3	11
Realised value changes	25	50
Sub-total	28	61
Tax payable	–15	–10
Profit for calculating dividends	126	223

THE PROPERTY PORTFOLIO

As of 31 March 2010, the portfolio comprised 556 (585) properties, of which Kungsliden had 50 per cent ownership of 244, with area for Kungsliden's part of 2,584,000 (2,684,000) sq.m. and book value of SEK 21,239 (21,861) m.

Kungsliden values its properties from an internal valuation model, which is an integrated component of its business process, where every property has a business plan. A combination of the reconciliation of location pricing and present value calculations of cash flows with a five-year forecast period, plus subsequent residual values, form the basis of valuations. Factors considered include rent levels, vacancies, operation and maintenance costs, property age, status and usage. The transactions Kungsliden has conducted in the period corroborate the company's valuations. Over the past 12 to 18 months, activity levels on the Swedish property market have been low. An increase in the number of transactions over the past half-year offers further guidance in valuation work.

Of book value, 45 (46) per cent relates to Commercial Properties, 40 (39) per cent to Public Properties in Sweden, 8 (8) per cent to retirement homes in Germany and 7 (7) per cent to Nordic Modular.

Of property book values, 38 per cent were located in the three major city regions of Greater Stockholm, Greater Göteborg and the Öresund region.

The properties were located in 129 municipalities, of which 54 per cent of

book value was located in municipalities with populations of less than 100,000.

The property portfolio in Germany amounts to SEK 1,636 (1,739) m of total book value. This value has reduced somewhat in 2010 as a consequence of progress of exchange rates of the euro. Property management in Germany differs from Sweden, with for example, tenants basically bearing all ongoing costs apart from tax and insurance, subject to what are termed triple net agreements. Accordingly, the operating surplus margin in the German operations is higher than in the Swedish.

Investments in existing properties amounted to SEK 61 (130) m. Investments are mainly conversions and extensions on existing properties in consultation with the tenant so that the customer's operations can be conducted in a superior, more efficient way. Investments increase property values through higher rent levels, and often, longer contract terms.

PROPERTY TRADING

After a few weak years, the property market is showing clear signs of recovery in terms of the number of transactions completed.

No properties were acquired in the interim period. However, 30 properties with an area of 95,000 sq.m. were divested for SEK 602 m. The book value of divested properties was SEK 600 m, and their acquisition cost was SEK 575 m. The sales were at a property yield of 6.5 per cent. Most of these properties were sold to Corem Property Group on 31 March.

EARNINGS CAPACITY

The normally high transaction rate in Kungsliden's operations means that the Income Statement does not offer the most accurate view of the group's future earnings capacity.

Earnings capacity shows the outcome as if the holding as of 31 March 2010 had being held for the past 12 months.

At the end of the period, average property yield was 6.9 (7.0) per cent in terms of earnings capacity.

Transactions in the period and progress of the existing holding resulted in a 4 per cent reduction of the operating net from SEK 1,527 m to SEK 1,468 m.

MODULAR BUILDINGS

Nordic Modular is a division of Kungsliden, alongside Commercial Properties and Public Properties. Flexible and cost-efficient modular buildings are a strong complement to Kungsliden's offering, mainly to the public sector.

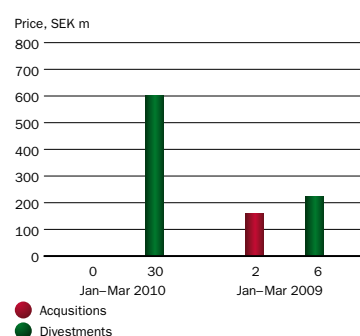
As of 31 March, modular buildings had total area of approximately 227,000 (226,000) sq.m. and book value of SEK 1,474 (1,467) m. In the interim period, rental revenues from modular buildings were SEK 60 (64) m with gross profit of SEK 52 (59) m.

The direct costs of modular lettings are significantly lower than those on static foundations. However, over time, the value impairment due to use is greater on modules in letting operations. Normally, the estimated lifespan is 15–20 years if the modules are relocated, and in principle, they can have

Property portfolio changes

SEK m	2010 Jan–Mar	2009 Jan–Mar
Properties at the beginning of the period	21,861	28,576
Acquisitions	–	158
Investments	61	130
Divestments	–600	–211
Exchange rate fluctuations	–95	5
Value changes	12	–69
Properties at the end of the period	21,239	28,589

Property trading



Earnings capacity

	31 Mar 2010 ¹	31 Dec 2009 ¹
No. of properties	556	585
Leasable area, 000 sq. m.	2,584	2,684
Book value of properties, SEK m	21,239	21,861
Rental value, SEK m	2,321	2,399
Rental revenues, SEK m	2,154	2,237
Operating net, SEK m	1,468	1,527
Economic occupancy, %	92.7	93.2
Property yield, %	6.9	7.0
Operating surplus margin, %	68.2	68.2

1 244 of the public properties in Sweden are 50 per cent owned by Kungsliden. They are all included in the number of properties line, and 50 per cent on other lines, corresponding to their effect on the results of Kungsliden's operations and financial position.

1 January – 31 March 2010

the same lifespan as conventional buildings if not relocated.

After standard depreciation, property yield at the end of the period was 7.0 per cent.

Sales of modules including changes in stock were SEK 34 (69) m with gross profit of SEK 3 (14) m. Demand has reduced due to the recession. Production capacity was modified to the new conditions in 2009.

CUSTOMERS

Kungsleden's success is based on satisfied customers and the company's ability to do good deals. Kungsleden's customers are a cross-section of the Swedish private and public sectors, spanning some 130 municipalities across Sweden. Its tenants are both small enterprises and large corporations, while school students and pensioners occupy and live in Kungsleden properties. Nearly 40 per cent of the total property holding is let to the public sector, with tenants whose operations are publicly financed.

The commercial holding is divided into the industrial/warehouse, office and retail segments. Manufactured goods, transportation and retail are

some other sectors where Kungsleden is active. Its largest tenant is ABB Fastighets AB, which represents 6 per cent of total rental revenues. The average remaining contract term for customers in the public operation is some eight years, and in the commercial operation, about six years.

Customers—key facts:

- Economic occupancy: 92.7 (93.2) per cent.
- New lettings: 292 contracts with total annual rental value of SEK 24 m.
- Remaining contract term: average 6.7 years. 7.6 years for Public Properties and 5.9 years for Commercial Properties respectively.

FUNDING

Kungsleden's loan portfolio is based on agreements with banks and a syndicated credit facility. Loan agreements are normally signed with five to seven year terms, which can be considered customary in the Swedish market for property credits. In current market conditions, agreements are somewhat shorter. In its agreements, Kungsleden endeavours to secure short interest

fixings, to obtain the greatest possible flexibility, and so it can manage interest risk at an overall group level. The desired risk level of interest fixing structures is achieved using instruments called interest swaps or caps. Currency forwards are only used to hedge foreign investments.

The loan portfolio totalled a nominal SEK 14,023 (14,425) m at the end of the period and SEK 15,268 (15,575) m including the market values of financial instruments and loans. Un-utilised credit facilities were SEK 3,210 (2,960) m.

The average interest rate on the loan portfolio was 5.1 per cent as of 31 March 2010, which is comparable with the beginning of the year. The average fixed interest term was 2.5 years, against 2.6 years as of 1 January. Kungsleden's derivative portfolio was SEK 14.7 (14.5) bn, which is somewhat more than nominal loan amounts. With its current derivative portfolio, interest costs are not significantly affected by changed market interest rates.

The short interest rate, 90-day Stibor, amounted to 0.50 per cent in the period, and at the end of the first quarter, was quoted at 0.51 per cent. As of

KUNGSLEDEN IN PARTNERSHIP WITH YOUTH CHARITY FRYSHUSET

In the first quarter 2010, Kungsleden started collaborating with youth charity Fryshuset. As main sponsor, Kungsleden is donating SEK 2 m per year over three years to support Fryshuset's operations. These funds will be used to promote young people's self-esteem, creativity and initiative, and to counter violence, hostility against foreigners, drugs and criminality.



31 March, five-year yields were 2.62 per cent, somewhat lower than the 2.88 per cent quoted at the beginning of the year. Ten-year yields have also fallen since the previous year-end and were at 3.31 per cent on 31 March. This interest rate downturn has had a negative effect on the value of financial instruments, causing an unrealized value change of SEK -92 m in the Income Statement.

In the remainder of 2010, loans and overdraft facilities of SEK 1,504 m expire, of which SEK 310 m are overdraft facilities. SEK 610 m of this total was re-financed after the end of the quarter.

TAX POSITION

After the Swedish Supreme Administrative Court reported its tax rulings in May 2009, which apply to companies other than Kungsleden, the company has analysed those transactions the company was party to and that resemble those that have been subject to trial in the aforementioned rulings. The transactions are few in number, and conducted in the years 2004–2006.

As previously reported, the company received a decision from the Swedish Tax Agency regarding transactions conducted similar to what is termed the 'Cyprus ruling', which the Swedish Supreme Administrative Court referred back to the Council for Advance Tax Rulings for consideration. The Tax Agency's decision based on this ruling implies further tax claims on Kungsleden of some SEK 200 m including tax surcharge.

The company has appealed against the Swedish Tax Agency's decision, and it could be noted that in the Administrative Court, the Swedish Tax Agency has also claimed that the Swedish Tax Avoidance Act is applicable to these property divestments. Kungsleden regards the Swedish Tax Agency's claims as erroneous, and the company's judgment regarding these property divestments has not changed, and accordingly will not be provisioning for them.

Late in the first quarter 2010, the Swedish Tax Agency called for the Administrative Court to re-assess whether the Swedish Tax Avoidance Act

is applicable to three transactions Kungsleden conducted. The Swedish Tax Agency has called for the Court to consider increasing assessed income corresponding to a tax claim of some SEK 920 m.

In total, the tax claims amount to SEK 1,120 m, and Kungsleden provisioned SEK 325 m for one of the transactions in 2009. It should be noted that, regulatory decisions corresponding to only SEK 200 m relating to rulings based on what is known as the 'Cyprus ruling' have been made.

If the Swedish Tax Agency's claims prevail, Kungsleden judges that the majority of the re-assessment can be offset against tax loss carry-forwards. Thus, given a potential negative outcome of proceedings, the liquidity effect would not exceed SEK 300 m. Against the background of Kungsleden having tax loss carry-forwards that have not been capitalized in its accounting, the company's judgment is that a negative outcome of proceedings would have a limited impact on consolidated equity. Kungsleden considers that the Swedish

Interest fixing period

As of 31 March 2010 Maturity	Nominal amount, SEK m	Interest derivatives, SEK m	Share, %	Average Interest, %
2010	14,023	8,250	53.7 ¹	5.7
2011		–	–	–
2012		400	2.9	4.4
2013		1,100	7.8	4.5
2014		1,500	10.7	4.2
2015		1,800	12.8	4.3
2016		400	2.9	4.4
2017		300	2.1	4.5
2018		1,000	7.1	4.5
Total	14,023	14,750	100.0	5.1
Market valuation of loans and derivatives	1,245			
Total	15,268			

¹ The share of interest maturities in 2010 is 53.7 per cent of total loan volumes of SEK 14,023 m. Interest maturities in 2010 for underlying loans are SEK 7,526 m and interest maturities for derivatives without underlying loans are SEK 727 m.

Kungsleden's loan portfolio is arranged with short fixed interest terms. To reduce interest risks, fixed interest terms are extended using derivatives. The group's interest of 5.1 per cent is due to its relatively large derivative portfolio, which still exceeds its loan portfolio. The derivatives portfolio amounts to SEK 14.7 bn, while the loan portfolio is SEK 14.0 bn. SEK 8.2 bn of the derivatives portfolio consists of what are termed cancellable interest swaps. These are reported as short fixed interest periods because the bank can cancel them quarterly. The cancellable swaps are long fixed interest periods where Kungsleden has issued an option to the bank conferring it the right to cancel them. For this right, Kungsleden receives reduced interest in the interest swap. The cancellable derivatives have terms of 3–8 years with fixed interest of between 2.9 and 4.1 per cent. Progress of market interest rates largely determines whether the bank cancels the derivatives in advance.

Derivatives volumes for 2010 of SEK 8.2 bn exceed underlying loans, which explains the higher average interest this year. Because the derivative portfolio is virtually balanced with the loan portfolio, changes in market interest rates will only have a marginal impact on Kungsleden's net financial position, see the sensitivity analysis below.

Credit maturity structure (inclusive un-utilised credit facilities)

As of 31 March 2010 in	Credit, SEK m	Share, %	Average conversion time, years
2010	1,504 ¹	8.7	
2011	1,394	8.1	
2012	11,912	69.1	
2013	1,751	10.2	
2014–2017	–	–	
2018	672	3.9	
Total credit	17,233	100.0	2.4
Un-utilised credit	–3,210		
Total utilised credit	14,023		2.5

¹ SEK 610 m of this total was re-financed after the end of the period.

Sensitivity analysis, interest rate changes

As of 31 March 2010, SEK m	Effect on net financial position (12 mth.)
Average interest of the loan portfolio changes, +/- 1% point	-/+ 140
Short market rate (<6 mth.) changes, +/- 1% point	+/- 8

1 January – 31 March 2010

Tax Agency's claims are erroneous and the company's judgment regarding the transactions has not changed, and accordingly, no further provisioning will be made for them.

Kungsleden's strong opinion is that it has complied fully with the laws and practice in place when submitting each tax return. The company continuously verifies its own judgments on tax issues with external experts. However, this does not rule out the risk that fiscal courts could assess completed transactions in a different manner to the company.

Moreover, it can be assumed that in certain cases, the Swedish Tax Agency will initiate proceedings against different companies in the group to increase their assessed income.

Kungsleden's assessments and computations will be reassessed at the end of each reporting period. Accordingly, final outcomes may be either higher or lower than its current assessment.

EQUITY

Equity was SEK 7,102 (7,079) m at the end of the period or SEK 52 (52) per share, equivalent to an equity ratio of 30 (29) per cent.

ORGANISATION AND HUMAN RESOURCES

The average number of employees was 274 (350) in the interim period; 148 (216) work for Nordic Modular, 120 (198) of them on producing modules.

PARENT COMPANY

The parent company had a net loss of SEK -89 (-164) m in the period; its sales

were SEK 0 (0) m. Its full year profit is expected to be positive because significant dividends from subsidiaries are included late in the year. Assets at the end of the period, mainly consisting of shares in subsidiaries, were SEK 6,695 (6,695) m. Funding was mainly through equity, which was SEK 5,942 (6,031) m at the end of the period, implying an equity ratio of 43 (48) per cent.

THE SHARE AND SHAREHOLDERS

The closing price on 31 March 2010 was SEK 56.75. Accordingly, compared to the year-end 2009 closing price of SEK 49.20, the share rose by 15 per cent. The OMX Stockholm Real Estate_PI rose by 9 per cent in the same period. As of 31 March, Kungsleden had 25,617 shareholders, an increase of 3 per cent on the previous year-end.

At the end of the period, there were 136,502,064 shares, the same as on 1 January.

RISKS AND UNCERTAINTY FACTORS

Kungsleden's operations, results of operations and financial position are affected by a number of risk factors, which in some cases, particularly in terms of property valuations, are based on judgments.

Those risks affecting profits and cash flow relate mainly to changes in rent levels, occupancy, the general progress of costs, interest levels and property market liquidity.

The Balance Sheet predominantly consists of properties and funding. The aggregate risk in property values

depends on geographical diversity, property type, property size, contract term, tenant structure, technical standard, etc. Property values are assessed individually and progressively through the year based on a series of judgments and estimates of future cash flows and required rates of return in a transaction. The methodology of internal valuations is reviewed on pages 26–27 and 75 of the Annual Report for 2009.

Financial risks are primarily liquidity risk, re-financing risk and interest risk and are managed on the basis of Kungsleden's finance policy. More information on managing financial risks is stated in 'Funding' on pages 4–5, and on pages 38–41 of the Annual Report for 2009.

Reporting of taxation conforms to accounting standards, but it is notable that over time tax paid usually differs from that reported. Additionally, tax rules are complex and difficult to interpret. The application of rules can also change over time, see also the review of the tax position on pages 5–6.

A more detailed review of Kungsleden's risks and uncertainty factors is provided on pages 34–37 and 69–70 of the Annual Report for 2009.

The parent company's results of operations and financial position is significantly affected by group companies' situations, and accordingly, the above review also applies to the parent company.

ACCOUNTING PRINCIPLES

Kungsleden observes IFRS (International Financial Reporting Standards) as

Shareholders

As of 31 March 2010	No. of shares	% of vote and capital
Florén Olle and companies	3,054,800	2.2
Länsförsäkringar Funds	3,003,311	2.2
SEB Funds	2,886,472	2.1
Danske Invest Funds (Sweden)	2,766,669	2.0
Norwegian Government	2,596,644	1.9
SHB Funds	2,496,557	1.9
Nordea Funds	2,133,726	1.6
Fourth AP Fund/AP4	2,062,988	1.5
Second AP Fund/AP2	1,741,362	1.3
Swedbank Robur Funds	1,662,900	1.2
Total, ten largest shareholders	24,405,429	17.9
Board and management	391,190	0.3
Foreign shareholders, other	36,909,162	27.0
Other shareholders	74,796,283	54.8
Total	136,502,064	100.0

Source: SIS Ågarservice

endorsed by the EU and their IFRIC interpretations. This Interim Report has been prepared pursuant to IAS 34 Interim Financial Reporting. Applicable stipulations of the Swedish Annual Accounts Act and the Swedish Securities Markets Act have also been applied.

A revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements have implications including the following changes: the definition of an operation is amended, transaction expenses in business combinations should be expensed, conditional purchase prices should be measured at fair value at acquisition date and the effects of revaluing liabilities related to conditional purchase prices should be reported as a revenue or expense in net profit/loss. Other news is that there will be two alternative ways to report minorities and goodwill, either at fair value, i.e. goodwill is included in the minority, or the minority consists of a share of net assets. The choice between the two methods is individual for each business combination.

IFRIC 15 Agreements for the Construction of Real Estate may affect the timing of when a property under construction that is sold is reported in the Income Statement.

The following amendments and new application interpretations of accounting principles with future application are not judged to have any material effect on the group's reporting: IFRS 1 First-time Adoption of IFRS, IFRS 2 Share-based Payment, IAS 24 Related Party Disclosures, IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement, IFRIC 12 Service Concession Arrangements, IFRIC 14 IAS 19—The Limit on a Defined-benefit Asset, Minimum Funding Requirements and their Interaction, IFRIC 16 Hedges of a Net Investment in a Foreign Operation, IFRIC 17 Distributions of Non-cash Assets to Owners, IFRIC 18 Transfers of Assets from Customers, IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

Otherwise, the accounting principles and measurement methods are unchanged since the Annual Report for the financial year 2009.

FORECAST FOR 2010 (UNCHANGED)

The Board's judgment is that profit for calculating dividends will be SEK 600 m, equivalent to SEK 4.40 per share.

The method for measuring profit for calculating dividends is unchanged and corresponds to profit before tax excluding unrealised value changes but including realised value changes and payable taxes.

SUBSEQUENT EVENTS

No significant events have occurred after the end of the interim period.

FORTHCOMING REPORTS AND ANNUAL GENERAL MEETING (AGM)

- *The AGM will be held in Stockholm, 28 April 2010.*
- *Interim Report, January–June, 18 August 2010.*
- *Interim Report, January–September, 21 October 2010.*

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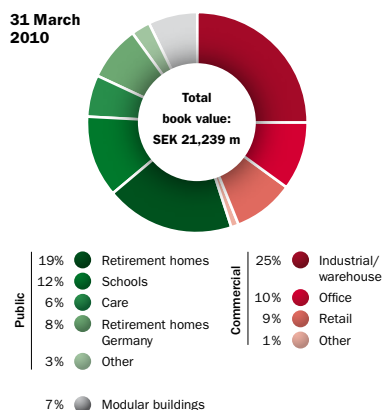
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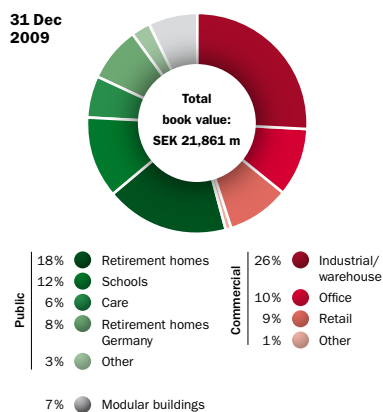
1 January – 31 March 2010

Property portfolio by type

31 March 2010

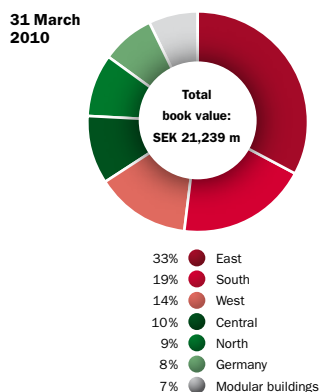


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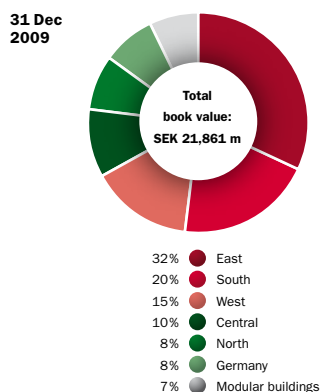


Property portfolio by market area

31 March 2010

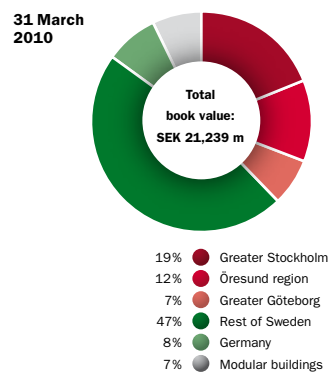


31 Dec 2009

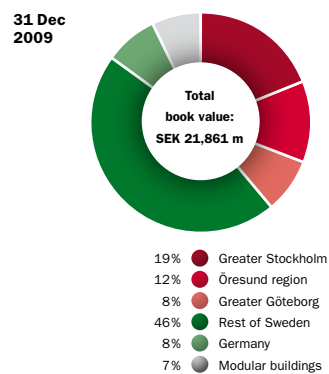


Property portfolio by city region

31 March 2010



31 Dec 2009



Earnings capacity² by type

	Commercial properties				Public properties					Nordic Modular	Total ²
	Industrial/warehouse	Office	Retail	Other	Retirement homes ²	Schools ²	Care ²	Retirement homes Germany	Other ²	Modular buildings	
No. of properties	107	74	57	15	112	86	74	19	12	0	556
Leasable area, 000 sq.m.	929	280	296	24	269	279	133	97	50	227	2,584
Book value, SEK m	5,268	2,198	1,911	269	4,007	2,650	1,210	1,636	616	1,474	21,239
Rental value, SEK m	561	281	213	24	327	283	141	127	60	304	2,321
Rental revenues, SEK m	527	241	193	23	328	276	134	127	59	246	2,154
Operating net, SEK m	428	124	137	17	231	183	80	122	43	103 ³	1,468
Economic occupancy, %	95.0	86.5	92.0	97.9	98.9	94.5	95.5	100.0	97.6	81.0	92.7
Property yield, %	8.1	5.7	7.2	6.4	5.8	6.9	6.7	7.5	6.9	7.0 ³	6.9
Operating surplus margin, %	81.2	51.7	71.1	74.0	70.3	66.3	59.8	96.1	72.8	41.8 ³	68.2

Earnings capacity² by market area

	East	South	West	Central	North	Germany	Nordic Modular	Total ²
No. of properties	187	113	111	46	80	19	0	556
Leasable area, 000 sq.m.	726	510	384	342	298	97	227	2,584
Book value, SEK m	7,074	4,033	3,091	2,112	1,819	1,636	1,474	21,239
Rental value, SEK m	688	408	324	225	245	127	304	2,321
Rental revenues, SEK m	655	381	309	217	219	127	246	2,154
Operating net, SEK m	453	276	213	176	125	122	103 ³	1,468
Economic occupancy, %	94.5	94.2	94.9	96.3	89.9	100.0	81.0	92.7
Property yield, %	6.4	6.9	6.9	8.3	6.9	7.5	7.0 ³	6.9
Operating surplus margin, %	69.2	72.5	68.7	81.3	57.1	96.1	41.8 ³	68.2

1 Earnings capacity indicates the appearance of the Income Statement as if the properties owned as of 31 March 2010 had been owned for the previous 12 months.

2 Kungsleden owns 50 per cent of 244 of the Public properties in Sweden. They are all included in the number of properties line and at 50 per cent on other lines, corresponding to these properties' effect on Kungsleden's results of operations and financial position.

3 Operating surplus has been reduced by standard depreciation/value changes of SEK 123 m.

Financial Reporting 1 January – 31 March 2010

Income Statement

SEK m	Interim period/Reporting period		12 months	
	2010 Jan–Mar	2009 Jan–Mar	2009/2010 Apr–Mar	2009 Jan–Dec
Rental revenues	537.1	702.4	2,228.9	2,394.2
Sales revenues, modular buildings	34.0	68.5	173.7	208.2
Net sales	571.1	770.9	2,402.6	2,602.4
Property costs	-184.7	-215.8	-593.2	-624.4
Production costs, modular buildings	-31.2	-54.3	-137.6	-160.7
Gross profit	355.2	500.8	1,671.8	1,817.3
Property trading				
Sales revenues, net	602.3	221.7	8,188.9	7,808.3
Book value				
Acquisition cost	-574.6	-161.3	-7,168.4	-6,755.1
Realised value changes	-25.1	-49.9	-1,163.6	-1,188.5
Trading net	2.7	10.5	-143.1	-135.3
Sales and administration costs	-66.4	-79.7	-273.1	-286.4
Net financial position				
Financial revenues	4.9	2.1	40.8	38.0
Financial costs	-175.4	-241.6	-804.1	-870.3
Other financial costs	-5.3	-9.7	-9.9	-14.3
	-175.8	-249.2	-773.2	-846.6
Unrealised value changes				
Investment properties	12.1	-68.6	-230.9	-311.6
Financial instruments	-92.3	-193.0	213.9	113.2
	-80.2	-261.6	-17.0	-198.4
Profit/loss before tax	35.5	-79.2	465.2	350.6
Tax	22.0	12.3	-91.4	-101.1
Profit/loss after tax¹	57.5	-66.9	373.8	249.5
Earnings per share²	0.40	-0.50	2.70	1.80

1 All the profit/loss after tax for the period is attributable to the parent company's shareholders.

2 Before and after dilution effect. The outstanding number of shares and average number of shares is 136,502,064 for all periods.

Statement of Comprehensive Income

SEK m	Interim period/Reporting period		12 months	
	2010 Jan–Mar	2009 Jan–Mar	2009/2010 Apr–Mar	2009 Jan–Dec
Net profit/loss from Income Statement	57.5	-66.9	373.8	249.5
Other comprehensive income				
Change in fair value of currency forwards (after tax)	13.5	7.6	11.2	5.3
Translation differences for the period when translating foreign operations	-47.8	-3.1	-80.3	-35.6
Comprehensive income for the period¹	23.2	-62.4	304.7	219.2

1 All the comprehensive income for the period is attributable to the parent company's shareholders.

Statement of Financial Position

SEK m	31 Mar 2010	31 Dec 2009
ASSETS		
Goodwill	193.2	193.2
Properties	21,238.6	21,860.5
Receivables, etc.	1,317.6	1,465.6
Cash and cash equivalents	1,266.9	689.1
TOTAL ASSETS	24,016.3	24,208.4
LIABILITIES AND EQUITY		
Equity	7,102.4	7,079.2
Interest-bearing liabilities	14,040.2	14,437.3
Non interest-bearing liabilities	2,873.7	2,691.9
TOTAL LIABILITIES AND EQUITY	24,016.3	24,208.4

Financial Reporting 1 January – 31 March 2010

Statement of Changes in Equity

SEK m	31 Mar 2010	31 Dec 2009
At beginning of period	7,079.2	7,064.8
Dividend	–	–204.8
Total recognised gains and losses for the period	23.2	219.2
At end of period	7,102.4	7,079.2

Statement of Cash Flows

SEK m	Interim period/Reporting period		12 months	
	2010 Jan–Mar	2009 Jan–Mar	2009/2010 Apr–Mar	2009 Jan–Dec
Operating activities				
Profit before tax	35.5	–79.2	465.3	350.6
Trading net/capital gains, divested properties	–2.7	–10.5	143.1	135.3
Unrealised value changes	80.2	261.6	17.0	198.4
Adjustment for items not included in cash flow from operating activities	–6.9	0.2	–4.3	2.8
Tax paid	–15.0	–9.7	–78.0	–72.7
Cash flow from operating activities	91.1	162.4	543.1	614.4
Change in working capital	423.6	151.2	–898.8	–1,171.2
Cash flow from operating activities after change in working capital	514.7	313.6	–355.7	–556.8
Cash flow from investment activity	368.3	–76.0	2,628.4	2,184.1
Cash flow from financing activity	–302.1	–379.5	–1,496.7	–1,574.1
Cash flow for the period	580.9	–141.9	776.0	53.2
Cash and cash equivalents at beginning of period	689.1	641.6	499.8	641.6
Exchange rate difference in cash and cash equivalents	–3.2	0.1	–9.0	–5.7
Cash and cash equivalents at end of period	1,266.8	499.8	1,266.8	689.1

Parent Company Income Statement

SEK m	Interim period/Reporting period		12 months	
	2010 Jan–Mar	2009 Jan–Mar	2009/2010 Apr–Mar	2009 Jan–Dec
Administration costs	–3.8	–2.7	–9.2	–8.1
Net financial position	–117.2	–219.4	692.3	590.1
Profit before tax	–121.0	–222.1	683.1	582.0
Tax on profit for the period	31.8	58.4	–4.8	21.8
Net profit	–89.2	–163.7	678.3	603.8

Parent Company Balance Sheet

SEK m	31 Mar 2010	31 Dec 2009
ASSETS		
Shares in group companies	6,659.0	6,659.0
Receivables from group companies	5,711.0	5,344.6
External receivables, etc.	858.4	820.1
Cash and cash equivalents	569.9	123.4
TOTAL ASSETS	13,798.3	12,947.1
LIABILITIES AND EQUITY		
Shareholders equity	5,942.1	6,031.3
Interest-bearing liabilities	739.5	754.9
Liabilities to group companies	6,306.8	5,413.3
Other liabilities	809.9	747.6
TOTAL LIABILITIES AND EQUITY	13,798.3	12,947.1

Segment reporting

SEK m	Commercial properties		Public properties in Sweden		Retirement homes		Nordic Modular		Other/group-wide ¹		Total Kungsliden	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar
Net sales	251.6	257.9	195.3	358.3	29.8	22.2	94.4	132.5			571.1	770.9
Gross profit	152.1	173.8	119.2	232.3	29.2	21.5	54.7	73.2			355.2	500.8
Profit before tax	-36.7	-58.6	41.3	-39.9	9.6	-3.1	26.3	31.4	-5.0	-9.0	35.5	-79.2
Properties	9,649.3	10,338.7	8,479.8	15,466.2	1,636.0	1,345.2	1,473.5	1,438.9			21,238.6	28,589.0
Acquisitions and investments	25.7	103.5	27.1	88.3	0.9	83.8	7.6	12.2			61.3	287.8
Sales price, net	599.2	121.7		100.0			3.1				602.3	221.7

1 Other/group-wide is Transaction & Analysis and Central Administration functions.

Key figures

	Interim period/Reporting period		12 months	
	2010 Jan-Mar	2009 Jan-Mar	2009/2010 Apr-Mar	2009 Jan-Dec
Property-related				
<i>Earnings capacity</i>				
Property yield, %			6.9	7.0
Economic occupancy, %			92.7	93.2
Operating surplus margin, %			68.2	68.2
<i>Actuals</i>				
Property yield, %	6.5	6.8	6.6	7.0
Economic occupancy, %	90.4	94.5	91.3	93.3
Operating surplus margin, %	65.6	69.3	73.4	73.9
Financial				
Net profit, SEK m	58	-67	375	250
Profit for calculating dividends, SEK m	126	223	925	1,022
Return on total capital, %	4.8	5.6	4.6	5.1
Return on equity, %	3.2	-3.8	5.3	3.5
Return on capital employed, %	5.6	6.3	5.3	5.8
Interest coverage ratio	1.7	1.8	1.6	1.6
Equity ratio, %			29.6	29.3
Gearing, multiple			2.0	2.0
Mortgage ratio, %			66.1	66.0
Cash flow from operating activities, SEK m	91	162	543	614
Data per share				
Share price, SEK			56.75	49.20
Resolved dividend/share redemption, SEK			3.75	3.75
Total yield, %			15.3	5.0
Dividend yield, %			6.6	15.2
P/E ratio, multiple			21.0	27.3
P/CE ratio, multiple			7.2	7.2
Gross profit, SEK	2.60	3.70	12.20	13.30
Net profit, SEK	0.40	-0.50	2.70	1.80
Profit for calculating dividends, SEK m	0.90	1.60	6.80	7.50
Property book value, SEK			155.60	160.10
Equity, SEK			52.00	51.90
Cash flow from operating activities, SEK m	0.70	1.20	4.00	4.50
Outstanding shares/free float ¹	136,502,064	136,502,064	136,502,064	136,502,064
Average number of shares ¹	136,502,064	136,502,064	136,502,064	136,502,064

1 There is no dilution effect because there are no potential shares.

For definitions, see Kungsliden's website, www.kungsliden.se

Financial Reporting 1 January – 31 March 2010

This Financial Statement has not been subject to review by the company's auditors.

Stockholm, Sweden, 23 April 2010

Per-Anders Ovin <i>Chairman</i>	Leif Garph <i>Board member</i>	Magnus Meyer <i>Board member</i>	Jan Nygren <i>Board member</i>
Jonas Nyrén <i>Board member</i>	Charlotta Wikström <i>Board member</i>	Thomas Erséus <i>Board member and Chief Executive</i>	

Five-year summary

Summary Income Statement

SEK m	2009	2008	2007	2006	2005
Net sales	2,602	3,060	2,612	2,349	1,845
Gross profit	1,817	1,982	1,705	1,528	1,304
Trading net	-135	12	580	853	318
Sales and administration costs	-286	-390	-316	-246	-152
Net financial position	-847	-986	-720	-681	-546
Unrealised value changes	-198	-1,803	1,372	2,120	1,191
Profit/loss before tax	351	-1,185	2,621	3,575	2,116
Tax	-101	223	-221	-1	-129
Profit/loss after tax	250	-962	2,400	3,574	1,987

Summary Statement of Financial Position

SEK m	2009	2008	2007	2006	2005
ASSETS					
Goodwill	193	193	197	-	-
Properties	21,861	28,576	25,737	23,106	25,750
Receivables, etc.	1,465	1,311	6,213	1,049	1,556
Cash and cash equivalents	689	642	634	107	164
TOTAL ASSETS	24,208	30,722	32,781	24,262	27,470
LIABILITIES AND EQUITY					
Equity	7,079	7,065	9,040	9,700	6,649
Interest-bearing liabilities	14,437	20,743	21,068	12,781	18,004
Non-interest-bearing liabilities	2,692	2,914	2,673	1,781	2,817
TOTAL LIABILITIES AND EQUITY	24,208	30,722	32,781	24,262	27,470

Key figures

	2009	2008	2007	2006	2005
Property-related					
Property yield, %	7.0	6.5	6.4	6.5	7.2
Economic occupancy, %	93.2	95.0	94.4	90.2	90.0
Book value of properties, SEK m	21,861	28,576	25,737	23,106	25,750
Financial					
Profit/loss after tax, SEK m	250	-962	2,400	3,574	1,987
Profit for calculating dividends, SEK m	1,022	840	2,019	2,913	1,001
Return on total capital, %	5.1	5.1	6.9	8.3	7.0
Return on equity, %	3.5	-11.9	25.6	43.7	37.5
Return on capital employed, %	5.8	5.6	7.6	9.1	7.7
Interest cover, multiple	1.6	1.6	2.7	3.1	2.7
Equity ratio, %	29.3	23.0	27.6	40.0	24.2
Mortgage ratio, %	66.0	72.6	81.9	55.3	69.9
Cash flow from operating activities, SEK m	614	572	554	542	598
Data per share					
Profit/loss after tax, SEK ^{1,2}	1.80	-7.00	17.60	26.20	16.00
Profit for calculating dividends, SEK ¹	7.50	6.20	14.80	21.30	8.10
Resolved dividend/share redemption (proposed for 2009), SEK ¹	3.75	1.50	19.50	11.00	4.00
Resolved dividend/redemption (proposal for 2009), SEK ¹	4.50	4.20	4.10	4.00	4.40

1 These key figures have been adjusted for to the 3:1 split conducted in May 2006, the 2:1 split conducted in May 2005, and the bonus issue element of the new share issue conducted in October 2005.

2 There is no dilution effect because there are no potential shares.

Property register 1 January – 31 March 2010

DIVESTED PROPERTIES

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leasable area sq.m.						
					Retail	Industr./ ware- house	Offices	School	Care	Retire- ment homes	Other
Market Area Central											
Industrial/warehouse properties											
Viren 13, Karlskoga	Karlskoga	Karlskoga	Maskinvägen 22	1989		2,850					2,850
Market Area South											
Retail properties											
Smörbollen 12	Malmö	Malmö	Cypressvägen 12	1970	2,528	993	257				3,778
Industrial/warehouse properties											
Äreporten 3	Jönköping	Jönköping	Fridhemsvägen 12	1985/ 2006	1,285						1,285
Ädelmetallen 5	Jönköping	Jönköping	Kabelvägen 2	1976		2,974	1,719				4,693
Ädelkorallen 1	Jönköping	Jönköping	Bultvägen 2	1976		1,132					1,132
Ädelkorallen 10	Jönköping	Jönköping	Bultvägen 6 A	1978		435					435
Öronlappen 8	Jönköping	Jönköping	Bangårdsgatan 3	1999	668		1,295				1,963
Ädelmetallen 12	Jönköping	Jönköping	Grossistgatan 12	1987		480	1,538				2,018
Öronskyddet 9	Jönköping	Jönköping	Gnejsvägen 2	1997			1,713				1,713
Överlappen 8	Jönköping	Jönköping	Granitvägen 8	1974		1,858					1,858
Ädelkorallen 17	Jönköping	Jönköping	Bultvägen 4	1986		2,313					2,313
Öronlappen 7	Jönköping	Jönköping	Bangårdsgatan 1	1967	3,383						3,383
Överlappen 15	Jönköping	Jönköping	Granitvägen 10	1900		976	968				1,944
Ventilen 10	Kristianstad	Kristianstad	Mossvägen 6	1980		900					900
Kullen 5	Malmö	Malmö	Sturkökgatan 5	1962/ 1981		4,689	357				5,210
Bredaryd 41:10	Värnamo	Bredaryd	Industrivägen 14	1990/ 2000/ 2001		841				164	841
Sadelmakaren 1	Värnamo	Värnamo	Fredsgatan 2 B	1982		1,302					1,302
Lärkrådet 3	Värnamo	Värnamo	Ringvägen 63	1983/ 1990/ 2002		1,091					1,091
Office properties											
Vildanden 9	Malmö	Limhamn	Geijersgatan 2	1990	325		5,771				6,096
Market Area West											
Retail properties											
Pantängen 19	Borås	Borås	Getängsvägen 32	1965	2,213						2,213
Industrial/warehouse properties											
Fjädern 3	Borås	Borås	Industrigatan 31	1950		750					750
Fjädern 4	Borås	Borås	Industrigatan 29	1950		5,830					5,830
Backa 30:4	Göteborg	Göteborg	Importgatan 23:25			10,375					10,375
Backa 21:8	Göteborg	Hisingss backa	Exportgatan 19-21	1960/ 1997/ 1972		15,382	1,526				16,908
Backa 96:2	Göteborg	Hisingss backa	Exportgatan 23	1983/ 1986/ 1990		6,634					6,634
Market Area East											
Industrial/warehouse properties											
Slakthuset 14	Norrköping	Norrköping	Lindövägen 70	1929/ 1985		2,805					2,805
Viby 19:53	Upplands-Bro	Kungsängen	Kraftvägen 30, Kraftvägen 32	1992/ 1994		1,961					1,961
Viby 19:54	Upplands-Bro	Kungsängen	Kraftvägen 26, Kraftvägen 28	1992		2,089					2,089

Addresses

**KUNGSLEDEN AB (PUBL) CORP. ID NO. 556545-1217,
REGISTERED OFFICE: STOCKHOLM, SWEDEN**

Head office	<i>Härnösand</i>	<i>Linköping</i>	<i>Uddevalla</i>	<i>Umeå</i>
Medborgarplatsen 25	Magasingsgatan 5	Barnhemsgatan 4	Tyggården 1B	N Obbolavägen 89
Box 70414	871 45 Härnösand	582 28 Linköping	451 34 Uddevalla	904 22 Umeå
107 25 Stockholm	T +46 (0)611-822 60	T +46 (0)13-12 88 68	T +46 (0)522-79 150	T +46 (0)90-12 44 22
T +46 (0)8 503 052 00	F +46 (0)611-822 69		F +46 (0)522-79 350	F +46 (0)90-13 83 24
F +46 (0)8 503 052 01		<i>Malmö</i>		
	<i>Jönköping</i>	Kungsgatan 6	<i>Upplands Väsby</i>	<i>Västerås</i>
Other office	Oxtorgsgatan 3	211 49 Malmö	(Nordic Modular)	Björnövägen 12
<i>Göteborg</i>	Box 543	T +46 (0)40-17 44 00	Hotellvägen 5	721 31 Västerås
Lilla Bommen 6	551 17 Jönköping	F +46 (0)40-17 44 19	Box 914	T +46 (0)21-12 52 70
Box 11284	T +46 (0)36-16 70 07		194 29 Upplands	F +46 (0)21-12 52 90
404 26 Göteborg	F +46 (0)36-16 70 03	<i>Norrköping</i>	Väsby	
T +46 (0)31-755 56 00		Vikboplan 7	T +46 (0)8-590 994 40	<i>Växjö</i>
F +46 (0)31-755 56 01	<i>Karlstad</i>	602 29 Norrköping	F +46 (0)8-590 759 10	Västra Esplanaden 9a
	Fredsgatan 3B	T +46 (0)11-19 07 00		352 31 Växjö
	Box 1037	F +46 (0)11-12 05 30		T +46 (0)470-281 20
	651 15 Karlstad			F +46 (0)470-281 40
	T +46 (0)54-17 50 00			
	F +46 (0)54-17 50 01			

